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RALEIGH EXPORT ASSISTANCE CENTER TRADE BULLETIN

SPECIAL NEWSLETTER: U.S.- CHILE FREE TRADE AGREEMENT

U.S. SIGNS HISTORIC FREE TRADE AGREEMENT WITH CHILE

The U.S.-Chile Free Trade Agreement went into effect on January 1st, 2004, marking the first comprehensive trade agreement between the United States and a South American country. When fully implemented, the agreement will eliminate bilateral tariffs, lower trade barriers, promote economic integration and expand opportunities for people of both countries. U.S. officials believe the agreement will benefit American businesses and consumers through improved access to the Chilean market, as well as provide momentum to the ongoing negotiations in the Free Trade Area of the Americas and the Global Trade Talks.

The U.S.-Chile FTA will increase U.S. market access for goods and services and provide strong protections for U.S. investors in Chile. American workers, consumers, businesses, and farmers will enjoy preferential access to one of the world's fastest growing economies, enabling products and services to flow back and forth from the United States and Chile with no tariffs and under streamlined customs procedures.

KEY OPPORTUNITIES THE FTA PROVIDES

New Opportunities for U.S. Workers and Manufacturers - More than 85 percent of bilateral trade in consumer and industrial products becomes tariff-free immediately, with most remaining tariffs eliminated within four years. Key U.S. export sectors benefit, such as agricultural and construction equipment, autos and auto parts, computers

and other information technology products, medical equipment, and paper products.

Expanded markets for U.S. Farmers and Ranchers - About three-quarters of both U.S. and Chilean farm goods will be tariff-free within four years, with all tariffs and quotas phased out within 12 years. U.S. farmers' access to Chilean markets will be as good or better than the European Union or Canada, both of which already have FTAs with Chile. Without this agreement U.S. farmers face higher tariffs than farmers from Canada or the EU. Farmers will gain duty-free treatment within four years for important U.S. products such as pork and pork products, beef and beef products, soybeans and soybean meal, durum wheat, feed grains, potatoes, and processed food products such as french fries, pasta, distilled spirits and breakfast cereals.

Access to a Fast-Growing Chilean Services Market - The agreement offers new access for U.S. banks, insurance companies, telecommunications companies, securities firms, express delivery companies, and professionals. U.S. firms may offer financial services to participants in Chile's highly successful privatized pension system.

A Trade Agreement for the Digital Age - State-of-the-art protections and non-discriminatory treatment are provided for digital products such as U.S. software, music, text, and videos. Protections for U.S. patents, trademarks and trade secrets exceeds past trade agreements in the region.

Strong Protections for U.S. Investors - The Agreement establishes a secure, predictable legal framework for U.S. investors in Chile.

Open and Fair Government Procurement - Provides for ground-breaking anti-corruption measures in government contracting. U.S. firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Chilean government entities, including airports and seaports.

Strong Protections for Labor and Environment - Both governments commit to enforce their domestic labor and environmental laws. An innovative enforcement mechanism includes monetary assessments to enforce commercial and labor and environmental obligations. Cooperative projects will help protect wildlife, reduce environmental hazards and promote internationally recognized labor rights.

Two-way trade in goods (exports plus imports) between the United States and Chile totaled \$6.4 billion in 2002. Two-way trade in services in 2001 (latest year available) amounted to \$2.2 billion. Since 1994, U.S. goods trade with Chile has expanded by 39% (to 2002) and services trade by 37% (to 2001).

Upon Congressional approval of this Free Trade Agreement, 85 percent of industrial products will be traded without duties. In less than four years, 75 percent of farm production will also be freely traded. After just ten years, all trade in non-agricultural goods will take place without tariffs or quotas; for agriculture, the phase out will take just 12 years.

HOW U.S. COMPANIES CAN TAKE ADVANTAGE

In order to take advantage of the benefits for U.S. goods under this agreement, exporters will need to understand how to determine that their goods are originating or qualify for preferential duty treatment under the U.S.-Chile FTA Rules of Origin.

Some may find the concept of qualifying one's goods to be a complicated one. U.S. exporters can find information at the U.S. DOC [Trade Information Center Website](http://www.trade.gov/tic/) to help guide them through the process. Users of this site should keep in mind that only the

U.S.-Chile FTA text itself and the customs regulations of Chile that may be issued to implement the Agreement are definitive.

Lower duty rates are certainly not the only benefit provided by the U.S. Chile Free Trade Agreement. The agreement also contains commitments by both countries on many non-tariff issues including: intellectual property rights, services, investment, temporary entry of business/technical persons, and telecommunications.

Under the U.S.-Chile FTA, Chile is obligated to adopt stronger protection and enforcement provisions for copyrights, trademarks, patents, and trade secrets. Chile is also required under the agreement to remove restrictive regulatory barriers in place for U.S. service providers. These changes, among others, will provide U.S. businesses with a more accessible and more easily navigable Chilean market.

For more information about how you can take advantage of the U.S.-Chile FTA, contact the Raleigh USEAC (919-715-7373, ext 612) today or visit the Trade Information Center Website at: <http://www.trade.gov/td/tic/>